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Eradication of poverty and other development issues: industrial development cooperation

Industrial development cooperation

Note by the Secretary-General

The Secretary-General hereby transmits the report of the Director-General of the United Nations Industrial Development Organization (UNIDO) in accordance with General Assembly resolution 59/249 of 7 March 2005.

* A/61/150 and Corr.1.

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Summary

In accordance with General Assembly resolution 59/249 of 22 December 2004, the report of the Director-General of the United Nations Industrial Development Organization (UNIDO) on industrial development cooperation highlights the implementation of programmes in the priority areas outlined in its medium-term programme framework, its cooperation with other organizations of the United Nations system and its contributions to the New Partnership for Africa's Development (NEPAD).

UNIDO continues to adapt its responses to the changing environment of industrial development and the requirements of Member States with a particular focus on its three thematic priority areas: poverty reduction through productive activities, trade capacity-building, and energy and environment. South-South cooperation is given particular attention as a means of promoting industrial development and stimulating the growth of trade and technology diffusion to support the achievement of the Millennium Development Goals, especially in Africa and the least developed countries.

The report also highlights the support of UNIDO for NEPAD and the steps it is taking to strengthen its partnerships with other bodies in the United Nations system and contribute to greater programmatic coherence in the development activities of the system, including at the field level.

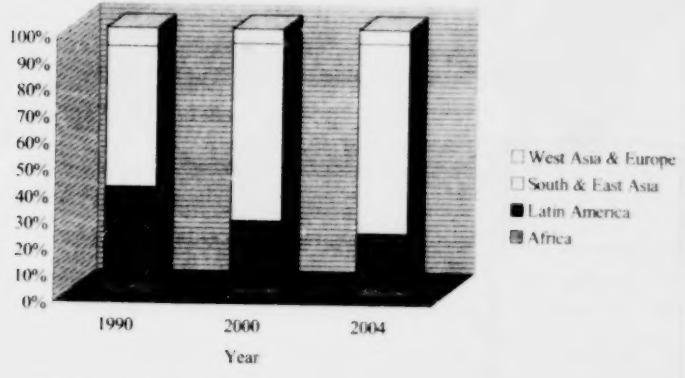
I. The changing global landscape of industry

A. Introduction

1. The pace and pattern of change in the global economy are creating an increasingly complex environment for industrial development. The internationalization of industrial production, trade, investment and technology is proceeding at an unprecedented but uneven pace, creating a growing industrial divide and widening disparities between developed and developing countries, and among developing countries themselves.

2. The United Nations Industrial Development Organization (UNIDO) *Industrial Development Report 2005*[1] noted that the developing countries accounted for about a quarter of global manufacturing value added, despite their remarkable growth during the 1990s. Within the group of developing countries, the share of South and East Asia increased from 54 to 72 per cent between 1990 and 2004. During the same period, the share of manufacturing value added of sub-Saharan Africa, excluding South Africa, remained stagnant at around 1 per cent, or a quarter of 1 per cent of world industrial production. The transition economies, meanwhile, saw a halving of their contribution to world industrial output at slightly over 3 per cent.

Distribution of manufacturing value added among developing countries
1995-2004



Source: UNIDO Industrial Statistics 2005

The growth of manufacturing production in developing countries has been accompanied by an increase in their share in the global trade in manufactures. Developing countries now account for around a third of world manufacturing trade, compared with 12 per cent in the 1980s. While much of this growth has been in trade between developing and developed countries, as firms in the latter have invested in the former and outsourced some of their production to developing countries, recent years have also witnessed a steady growth in South-South trade in

[1] United Nations publication, Sales No. 05.II.B.25.

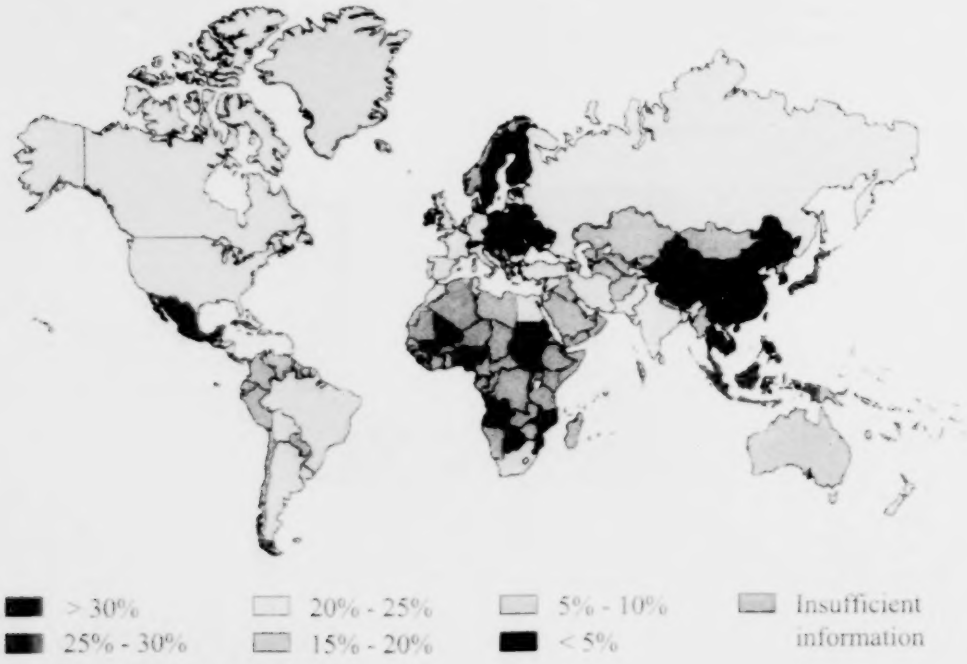
commodities and manufactures. This is gradually leading to the emergence of a new pattern of global interdependence along a North-South and a South-South axis.[2]

B. Industry, trade and investment

Regional patterns of industrial performance

3. Among the developing countries, major regional differences in industrial output exist. The East and South-East Asia regions lead the developing world in terms of the share of manufacturing value added in their gross domestic product (GDP) and in their annual rate of manufacturing value added growth. The figures below show the share of manufacturing value added in the GDP of various developing regions and their annual growth of manufacturing value added.

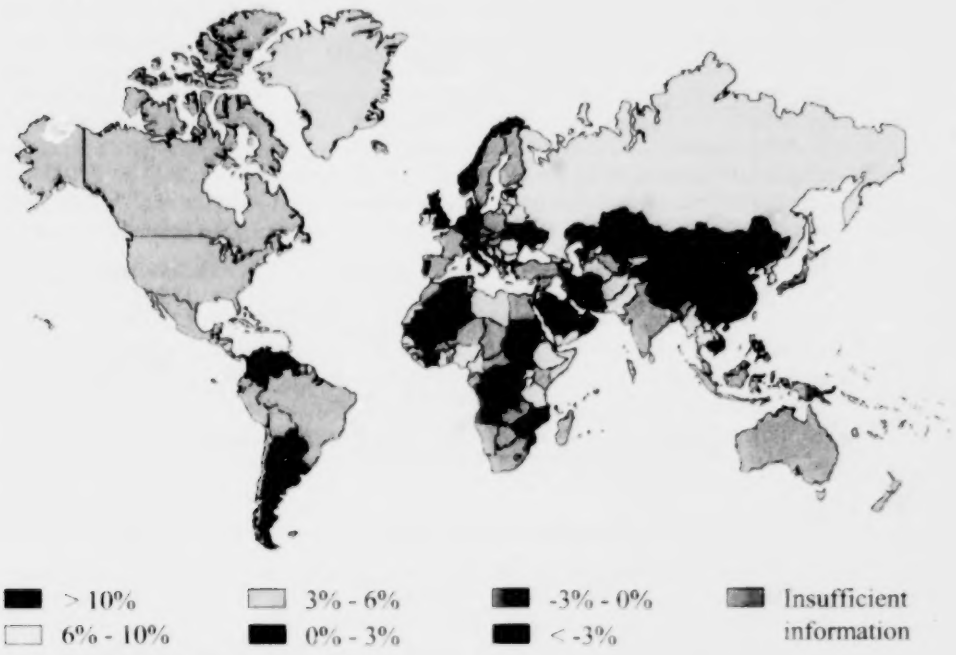
Share of manufacturing value added in GDP, 2004



Source: UNIDO Industrial Statistics 2005

[2] See *The International Yearbook of Industrial Statistics 2005*, United Nations Industrial Development Organization (Vienna, 2005).

Annual growth of manufacturing value added, 1999-2004



Source: UNIDO Industrial Statistics 2005

4. The industrial output of the Latin America and Caribbean region amounted to about a third of the Asian output in 2004, whereas in 1990 it was almost three quarters. Manufacturing value added shares of the Middle East and North Africa region, South Asia and the whole sub-Saharan Africa region are all of the same order of magnitude, ranging from 2 per cent of the world total for the first of these regions to less then 1 per cent for sub-Saharan Africa. While the output share of sub-Saharan Africa is modest, its value has increased by around one third since 1990.

5. The most remarkable change in the global industrial landscape is the emergence of China as an industrial powerhouse with its share of world industrial output tripling over the period of the 1990s.[3]

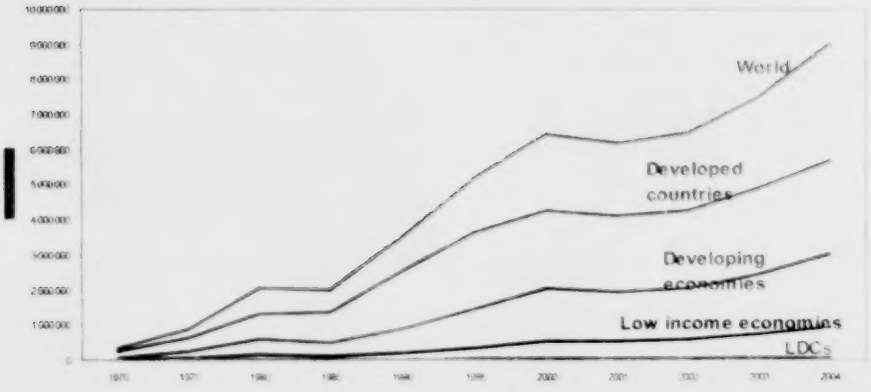
Trade in manufactures

6. Another major trend is the emergence of the South as a dynamic force in the new global trade map, having increased its trade as a group at a much faster pace than the North during the past decade. However, this development has been driven by the growing role of China and the first generation of newly industrializing countries in East Asia. If those countries were excluded, the figures for the South

[3] See *The International Yearbook of Industrial Statistics 2006*, United Nations Industrial Development Organization (Vienna, 2006).

would show a slower rate of export growth than for the developed economies, with their share in world exports remaining broadly stagnant since the 1970s.

World merchandise exports, 1970-2004



Source: UNCTAD, 2005

7. South-South trade in manufactures has recorded particularly strong growth, with manufactured exports growing at an annual average rate of 18 per cent in the period 1965-2003, approximately twice the rate of growth of agricultural exports and total world exports.[4] More recently, South-South trade in manufactures expanded rapidly, from 39 per cent of the South's total trade in 1995 to 46 per cent today, consistently exceeding the growth rates of both global trade and North-North trade. The bulk of this growth, particularly in trade in manufactures, has been fuelled by a number of Asian developing countries, principally the newly industrialized countries and China.

8. The scope for intensified South-South trade specifically between East Asia and other developing regions is considerable, especially in the light of rapid economic growth in many developing countries. However, a large part of East Asian trade is intraregional, with over 80 per cent of its manufactures traded within the region. The high proportion of medium- and high-technology products traded in East Asia reflects the high level of industrial integration within the region.

9. South Asia and the countries of the Middle East and North Africa have shown a modest increase in their share of manufactures in total exports, but technology-intensive manufacturing activities have remained stagnant. The sizeable share of oil-based industries in some Middle East and North Africa economies is a possible reason for the relatively low technological content of the region's manufactured exports.

10. The share of sub-Saharan Africa in world industrial output has remained at less than 1 per cent, with declining shares of South-South manufactured exports, total

[4] See *Trade and Development Report 2005* (United Nations publication, Sales No. 05.II.D.13).

exports, and medium- and high-technology exports. Despite various regional trade agreements, intraregional trade has expanded at a much slower pace than in South Asia, East Asia and the Middle East and North Africa.

11. Although Latin America has significantly changed its export structure towards more technology-intensive manufacturing activities, its share of manufactures in total exports increased only marginally. This is reflected in a decreasing share in world industrial output, with growth rates that are high in the region in historical terms but significantly lower than those observed in other areas of the developing world. Intraregional trade is growing more slowly than in sub-Saharan Africa, mainly owing to the priority given in the region to North-South agreements such as the North American Free Trade Agreement and the Central American Free Trade Area, over regional trade agreements to boost trade.

12. Both sub-Saharan Africa and Latin America have lost market share in their own regions for all product categories (including resource-based, low-, medium-, and high-technology products). These regions have been exposed to very strong competitive pressures from East Asia in labour-intensive and low-end manufactures. The situation is particularly disconcerting where regional trade agreements such as the Common Market for Eastern and Southern Africa and the Common Market of the South were not able to provide sufficient leverage and internal strength for facing increasing external competition.

II. Key issues in industrial development cooperation

13. Variations in the industrial performance of the different regions have been attributed to various factors, including: macroeconomic policies, public and corporate governance, regulatory frameworks, physical infrastructure, human and financial capital, productivity and competitiveness, and links to global value chains. Of particular relevance from the perspective of UNIDO are three key issues: productive capacity-building through enterprise development; strengthening of industrial capacities to compete, conform to market requirements and connect to global markets; and access to affordable energy and environmental protection.

Enterprise development as an engine of industrial growth

14. In most countries, the private sector accounts directly for more than three quarters of GDP. It is the main driving force of industrial development in virtually all countries and, through changing patterns of international production, investment and trade, it shapes the economic globalization process. A vibrant private sector, building on the combined strength of and linkages between large, medium, small and micro enterprises, is an essential prerequisite for triggering economic dynamism, enhancing productivity, transferring and diffusing new industrial technologies, maintaining competitiveness and contributing to entrepreneurship development and ultimately poverty reduction.

15. Many developing countries, especially the least developed countries, generate a disproportionate share of their industrial output from a relatively small group of very large enterprises, owned by the State, foreign investors or a few rich local entrepreneurs, that have few linkages with the rest of the economy. The majority of the non-agricultural workforce is employed or self-employed in a large number of micro- and small-scale enterprises, many of which are in the informal sector.

Relatively few of these enterprises are able to grow and become competitive in the national economy and in the international marketplace.

16. To address this challenge, pro-poor growth strategies are needed to remove policy-related and regulatory obstacles that impede local entrepreneurial initiatives, to strengthen entrepreneurial capabilities and provide access to finance, technical know-how and market information. Poverty reduction-oriented growth strategies should therefore aim at supporting the development of micro-, small- and medium-scale enterprises into dynamic, innovative and growth-oriented enterprises capable of competing in the national marketplace and possibly in international markets. Such strategies help create the necessary condition for sustaining economic growth by unleashing the underutilized assets of the economy and enhancing their potential for productivity increases. The goal must be to help poor people grow out of poverty while laying the foundation for the development of a modern and industrialized economy.[5]

Strengthening industrial capacities to trade

17. The evolution from protectionism to liberalization in the global trading system has offered significant opportunities for the growth of industry and trade in developing countries. However, tariffs and non-tariff barriers continue to impede manufacturing trade.

18. While tariffs on manufacturing trade in developed countries are lower than in developing countries, the tariffs imposed by developed countries on developing countries are significantly higher than those charged among developed countries. Furthermore, high tariffs among developing countries continue to constrain the prospects for expanding South-South trade in manufactures. Arguments that such liberalization will reduce government revenue will need to be considered in the light of the broader development perspective of such liberalization, its dynamic effects via productivity growth in the long run, and the reduced corruption and rent-seeking that is expected to accompany liberalization.

19. However, in many cases developing countries have failed to reap significant benefits from increased trading opportunities resulting from expanding markets and concessionary schemes. This is not primarily due to tariff barriers but largely to the lack of productive capacity needed to ensure the necessary quality and quantity of supply. It is often also related to the inability of exporters in those countries to ensure and prove conformity of their potential export products with international standards.

20. If developing countries are to succeed in enhancing their exports and increasing their share in global manufacturing value added at a time when manufactures account for 75 per cent of global trade, their enterprises need to be able to produce according to client country standards and technical regulations, and their products must prevail in highly competitive markets. They need to focus on subsectors with a high export potential such as agro-industries, including the production of specialty (e.g. organic) products. Developing countries also need to achieve higher levels of productivity through the use of modern management

[5] See "Industrial clusters and poverty reduction", UNIDO (Vienna, 2004); "A path out of poverty", UNIDO (Vienna, 2003); and "Voices of future entrepreneurs from Uganda and Mozambique", UNIDO (Vienna, 2006).

techniques and economies of scale, while applying new technologies that reduce the pollution intensity of the manufacturing sector.

21. Developing country enterprises, and especially small and medium-sized enterprises (SMEs), need to increase their supply capacity and build capabilities to ensure quality, competitiveness and conformity with importer-mandated product standards if they are to trade on global markets. This involves both increased investments at the enterprise level and government backing in ensuring that the technical support services in the area of standards, metrology and conformity testing are available. Equally important are support services to SMEs through productivity and technology extension services, training, support for export consortia and assistance for cluster development. The Doha World Trade Organization Ministerial Declaration, adopted on 14 November 2001, confirmed that "technical cooperation and capacity-building are core elements of the development dimension of the multilateral trading system", and further recognized that sustainably financed technical assistance and capacity-building have important roles to play. Such assistance is primarily needed in the fields of technical barriers to trade, sanitary and phyto-sanitary measures, and trade-related intellectual property rights.

22. The prevailing non-tariff barriers and sector-specific trade-distorting policies continue to restrain industrial development in the least developed countries and resource-based economies in particular, and influence the prospects for poverty reduction and South-South trade. Furthermore, the costs of financing international trade in least developed countries are high, especially in sub-Saharan Africa, not only because the financial system is weak, but also because the transaction costs of financial intermediation are high. These high transaction costs reflect the underlying risk associated with political and economic instability, weak legal systems and informational problems.

23. To make trade work for the poor, the response of the real economy to trade opportunities would need to be stimulated. Supply capacity development and technological upgrading constitute the main priorities for better integrating the low-income countries and least developed countries into global trade. Without such supply capacity they will be unable to benefit from the new market opportunities arising from market liberalization and preferential market access in regional trade arrangements or to developed countries. Furthermore, in many countries there is still a need for closer alignment of industry, agriculture and trade with national poverty reduction strategies. In this regard, the urgent need for capacity-building support and initiatives by the multilateral and bilateral development cooperation system is clearly in evidence.

Energy availability and renewable energies

24. Energy scarcity, especially in rural and remote areas, hampers economic and social development. More than a third of the world population still lives without access to modern energy supplies. At the same time, the growing demands for energy in the newly industrialized countries, China and India, continuing high demand in industrialized countries and recent natural disasters are increasingly impacting global energy markets.

25. The increased attention to the development and application of renewable energy is therefore timely. With rising energy prices, renewable energy based on water, wind, biomass, photovoltaic and solar thermal energy is gaining ground in

many countries. So are measures to improve energy use in all sectors of the economy, including in industry.

26. The introduction of renewable forms of energy is essential to helping communities meet their basic household needs, especially in rural areas. Renewable sources of energy also facilitate the achievement of long-term energy sustainability, create employment and generate income on and off the farm. They support increased agro-processing activity, raise agricultural productivity, elevate living standards and reduce migration of labour from rural areas. They also promote and protect the environment by reducing carbon dioxide emissions, the use of fossil fuels for power generation, deforestation, land degradation and pollution.

Environmental implications and responsible competitiveness

27. *The Millennium Development Goals Report 2006*[6] stresses that rapid economic growth can have severe social and environmental implications in various fields. Rapid urbanization and natural resource depletion often contribute to environmental degradation and ever-growing slums, eventually hampering both further economic development and a nation's security and prosperity.

28. It has long been recognized that the advancement of a nation's competitiveness depends not only on increasing its industrial output and income, but also on socially and environmentally sustainable poverty reduction strategies and policies. The emergence of a growing number of responsible entrepreneurs and SMEs in many countries is fostering a spirit of "responsible competitiveness", helping to balance economic, social and environmental considerations and putting these countries on a path of sustainable development. Business policies and practices based on a strong sense of corporate social responsibility are key elements in achieving "responsible competitiveness".

29. While there is growing conceptual clarity regarding corporate social responsibility, technical assistance activities in this field remain limited. A major challenge is the lack of awareness and capacities among SMEs to adopt a corporate social responsibility approach to their management planning and daily operations. Many find it difficult to respond to "corporate social responsibility requirements" from their customers and counterparts, often in the form of complicated codes of conduct, or they face difficulties in accessing global supply chains and lose the opportunities offered by the market to "early adopters" of corporate social responsibility.

30. National and local governments also often face difficulties in finding the most adequate means of formulating and implementing policies and legislative frameworks in the areas of sustainable and socially responsible business conduct, environmentally sound production methodologies, and renewable energy choices, without creating unintended hurdles to wealth creation and economic growth.[7]

Promoting South-South cooperation

31. Overall, the technological capabilities of the South have been progressing at an unprecedented pace, especially in the more advanced developing countries. This is

[6] United Nations publication, Sales No. E.06.I.18.

[7] See "Responsible trade and market access", United Nations Industrial Development Organization (Vienna, 2006).

particularly true in the case of East Asian countries, India and Latin America, and in the fields of biotechnology, nanotechnologies, clean technologies and ICTs. Yet, technological capabilities and skills are still weak in many least developed countries.

32. While North-South trade-related technology diffusion typically has a positive impact on productivity in high-technology industries, South-South trade raises productivity primarily in low-tech industries. In the context of dynamic comparative advantages, it is therefore evident that an exclusive reliance on technological diffusion related to South-South trade is likely to retard economic transformation and development of the South and increase the technology divide in critical areas of poverty reduction, owing to reduced research and development spillovers from the North.

33. An exclusive focus on low-tech industries represents the "low route" to development, with demand for these goods growing more slowly in the world market than demand for medium- and high-tech products. Dynamic export industries of developing countries serving world markets need to focus on higher, mainly medium-technology, industries where high growth opportunities exist in the world market.

34. However, it is obvious that not all dynamic growth industries and technologies are relevant for the vast majority of the world's population, living in rural areas, being bystanders in the global technology evolution process. Development strategies for rural livelihood enhancements are often low-tech focused and can strongly benefit from South-South technology diffusion and trade. Rural income and employment generating initiatives are needed in a number of areas, such as enhancing agricultural productive activities, intensifying agro-processing for food security, producing basic goods, reducing post-harvest losses, providing low-cost housing, and using environmentally friendly local sources of renewable rural energy and basic infrastructure.

35. Non-agro-based SMEs can also benefit significantly from integrating into innovative knowledge networks to make the best use of available complementarities within the South. Nevertheless, information on viable approaches to replicating best practice in processing, design and marketing is often missing, and an extensive use of information and communication technologies (ICTs) could play a major role in unlocking the industrial development potential through effective knowledge dissemination within new South-South industrial innovation systems.

36. Such systems could have a significant impact on the development of renewable sources of energy, which play an important role in making dramatic improvements in the quality of rural life. Depending on the appropriate energy solutions and the productive opportunities identified, business-related support can encompass installation, demonstration and promotion of selected energy technology options, giving particular attention to local assembly and/or manufacture of equipment, capacity-building of local partners or maintenance and repair facilities.

37. The experience of developing countries in business development and energy delivery models, with particular emphasis on income-generating uses of the energy, may be shared within the framework of South-South cooperation and could be accompanied by the establishment of appropriate support networks for further replications.

38. One significant channel of technology transfer and adaptation is foreign direct investment (FDI), which is generally expected to bring in advanced skills, know-how and technology that can be transferred to the host country by setting up training and other facilities. However, the extent to which FDI can have an impact through local linkages, upgraded technology and enhanced local capabilities depends on the interaction of trade and competition regimes, conditions attached to the operation of foreign firms, corporate strategy and resources of transnational corporations, as well as the development of local factor markets and institutional frameworks.

39. A vital challenge, especially in least developed countries, is therefore the continued strengthening of local business linkages, SME clusters, business partnerships, rural energy availability and the further improvement of institutional and policy frameworks, in order to provide fertile ground for such spillovers from FDI, innovation networks and other forms of technology transfer.

40. The ongoing interest in industrial clusters and business partnerships has highlighted the role of the local economic environment in terms of firms trading and competing together in ways that strengthen the ability of individual companies to thrive. The business environment hereby focuses on key factors, which underlie business success at the regional and national levels, in particular the health of the macroeconomic environment, the quality of public institutions and the ability of firms to innovate and adopt new technologies.

III. Addressing key industrial issues: the response of the United Nations Industrial Development Organization[8]

41. Given the rapidly evolving patterns of industrial development, the key issues that need to be addressed to achieve industrial development and the high priority accorded to advancing the global development agenda embodied in the Millennium Development Goals, UNIDO has decided to focus its work on three thematic areas where its contribution can be most effective:

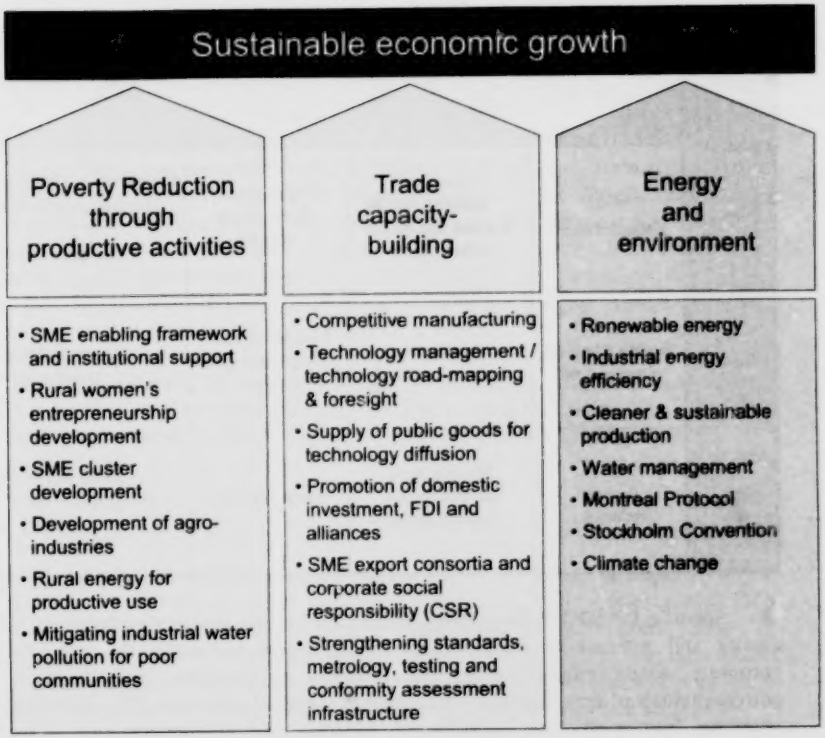
(a) Poverty reduction through productive activities;

(b) Trade capacity-building;

(c) Energy and environment.

[8] See updated "Medium-term programme framework, 2004-2007", United Nations Industrial Development Organization (Vienna, 2006).

Thematic priorities of UNIDO


Sustainable economic growth
Poverty Reduction through productive activities
Trade capacity-building
Energy and environment
• SME enabling framework and institutional support
• Rural women's entrepreneurship development
• SME cluster development
• Development of agro-industries
• Rural energy for productive use
• Mitigating industrial water pollution for poor communities
• Competitive manufacturing
• Technology management / technology road-mapping & foresight
• Supply of public goods for technology diffusion
• Promotion of domestic investment, FDI and alliances
• SME export consortia and corporate social responsibility (CSR)
• Strengthening standards, metrology, testing and conformity assessment infrastructure
• Renewable energy
• Industrial energy efficiency
• Cleaner & sustainable production
• Water management
• Montreal Protocol
• Stockholm Convention
• Climate change

Poverty reduction through productive activities

42. In the area of poverty reduction through productive activities, the aim is to help the poor earn a living and for the economy to grow through wealth creation. Particular emphasis is given to specialized programmes in entrepreneurship and private sector development.

43. The strategy of UNIDO for private sector development seeks to respond to the varying requirements of different target groups. It is based on the recognition that the specialized needs of, for example, sophisticated medium-sized information technology enterprises are worlds apart from the basic support requirements of rural microenterprises in food processing. Clearly, the heterogeneity of the SME sector precludes any "one-size-fits-all" support approach. The private sector support strategy of UNIDO is set out in the matrix below.

Target-oriented approach of UNIDO to private sector development

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	
[illegible]	"Fair globalization"	Competitive insertion into national and global value chains	Regional and Global export markets	Corporate social responsibility and business partnerships SME Export Consortia	Business Environment & Institutional Support Services
[illegible]	Sustainable local development	Creating the "missing middle"	National market attempts in export markets	Cluster and Network Development	
[illegible]	Poverty reduction	Moving from survivalist into growth mode	Local Markets	Rural and Women Entrepreneurship & Human Security	

44. Specific UNIDO support programmes for private sector development include cluster and networking development; SME export consortia; the promotion of corporate social responsibility and business partnerships; rural and women entrepreneurship development; information support services; the promotion of enabling framework and institutional support; and investment and technology promotion services.

45. Cluster and networking development promote efficient systems of relations within industrial clusters (i.e. both among enterprises within the cluster and between these enterprises and support institutions) to enable small enterprises to achieve collective efficiency and competitive advantage. The programme has been implemented through technical cooperation projects in Ecuador, India, Jamaica, Mexico, Morocco, Nicaragua, Pakistan, Senegal, Tunisia and Zimbabwe. New projects are currently being developed for Ethiopia, the Islamic Republic of Iran and Viet Nam.

Cluster development and networking in India

A cluster development programme has been implemented in India directly targeting seven clusters and approximately 800 enterprises in textiles, handicraft, leather, pharmaceuticals and foodstuff. Its impact on beneficiary enterprises has been a significant increase in exports (approximately $8 million), domestic sales/subcontracting (approximately $3.5 million), and investment (approximately $8.5 million). An estimated $2 million worth of savings were triggered thanks to the introduction of technologies not previously available in the clusters. Sixty-three firms have obtained International Organization for Standardization (ISO)-related certifications and several hundred people participated in World Trade Organization-related workshops/presentations. Over 20 self-help groups and networks were either revived or created. The cluster approach is now well enshrined in Indian policies, with seven states and five national institutions having adopted cluster development in their support strategy for small enterprises. Over 150 cluster development practitioners have been trained in what has become a fully self-financing training programme.

46. SME export consortia aim at boosting exports by enabling SMEs to overcome the information and scale problems associated with exporting activities, particularly in the early stages of exporting. By joining together to promote exports, groups of SMEs are able to compete effectively against other firms in markets that they would otherwise not be able to access. The programme is being implemented or planned in Argentina, Egypt, India, Jordan, Lebanon, Morocco, Peru, Tunisia and Uruguay.

Promoting SME exports in Tunisia

Since 2001, UNIDO has been promoting export consortia in Tunisia in cooperation with the Tunisian Ministry of Industry. There are currently 10 operational export consortia specialized in different sectors (e.g. auto parts, engineering, agro-industry, and information technology). The "C8" auto part export promotion consortium, grouping eight Tunisian manufacturing companies, has conducted studies of several African markets, and organized joint missions and shipments to selected African countries. In the past three years, the export sales of the consortium members have increased by 67 per cent against 30 per cent of the whole Tunisian car components sector. The Tunisian Engineering Consortium, grouping 12 firms with no export experience, has been able to win important international bids in Algeria and West African countries, and has signed cooperation agreements with Iranian and South African partners. These two consortia are now beginning to access more challenging markets in northern countries. Efforts to promote export consortia are now also being undertaken by a variety of national institutions.

47. The process of enhancing the competitiveness of the private sector is often accompanied by high social costs: unemployment, corruption, environmental degradation, little or no social protection and health care. The promotion of corporate social responsibility is seen as a way for companies to help mitigate these social costs while contributing to modernizing the industrial sector. The programme of UNIDO on corporate social responsibility and business partnerships is built on three pillars: participation in the United Nations Global Compact; corporate social responsibility capacity-building initiative; and the business partnership programme.

48. The participation of UNIDO in the Global Compact is geared towards meeting the specific requirements of SMEs within the framework of the Compact. The corporate social responsibility capacity-building initiative focuses on establishing a platform to provide practical services to the implementation of corporate social responsibility concepts at the policy, institutional and company levels. The UNIDO business partnership programme provides technical assistance to SMEs and related institutions, enhancing their capacity to apply and implement corporate social responsibility concepts in the context of responsible competitiveness. Technical cooperation projects under this programme have been implemented in Croatia, Ghana, India, Morocco, Nigeria and South Africa. New projects are currently being developed for China, Nicaragua, Serbia, the United Republic of Tanzania, and Viet Nam. The project in Croatia is providing policy advisory services to build corporate social responsibility-related capacities in industry support institutions to enable them to assist the business sector, especially export-oriented SMEs, with a practical methodology and related tools to comply cost-effectively with the corporate social responsibility requirements of global buyers and supply chains.

49. UNIDO is also supporting rural and women entrepreneurship development to enable rural and women entrepreneurs to take advantage of economic opportunities based on market mechanisms and entrepreneurial initiatives. The programme is especially focused on least developed countries and sub-Saharan Africa. Technical cooperation projects under this programme have been implemented in Burkina Faso, Burundi, Cameroon, Côte d'Ivoire, Eritrea, Ethiopia, Ghana, Guinea, Kenya, Malawi, Morocco, Mozambique, Namibia, Rwanda, Sierra Leone and Uganda. In Mozambique, a pilot project to implement a "one-stop-shop" for issuing licenses and providing advice on regulatory requirements has been established as a part of a provincial government office. As a result of the project, the registration process has become transparent and efficient, the number of registered enterprises has increased, bribery has been reduced and tax revenue has risen. The Mozambique Government has decided to replicate the model in all its provinces. Elsewhere, the programme has been implemented in Afghanistan, Cuba, Guatemala, Jordan, the Philippines, Solomon Islands, Sri Lanka, Timor-Leste and Viet Nam.

50. Business information support services are also being provided by UNIDO to help small enterprises become competitive and grow. UNIDO-supported information networking initiatives have been implemented in Algeria, China, Cuba, Djibouti, Guatemala, Madagascar, Morocco, Pakistan, Saudi Arabia, Sri Lanka and the United Republic of Tanzania.

51. To strengthen national capacities for the creation and continuous upgrading of the business environment for SMEs, UNIDO is providing technical advice and assistance in the formulation and implementation of appropriate policies and supporting institutional infrastructure to help SMEs operate on a level playing field.

Projects under this programme have been and are being implemented in Azerbaijan, China, Kazakhstan, Kyrgyzstan, Lao People's Democratic Republic, Uzbekistan and Viet Nam.

An enabling environment for small and medium-sized enterprises in Viet Nam

UNIDO support to the Government of Viet Nam has focused on the establishment of an institutional infrastructure for SME development at both the national and provincial levels — the SME Development Promotion Council (SMEDC), a multisector advisory body to the Prime Minister, and the Agency for Small and Medium Enterprise Development (ASMED), a central-level policy coordination agency. Within the scope of this project, the Government has formulated its first five-year SME development plan, 2006-2010. The plan sets out policy and capacity-building measures to ease regulations governing market entry, business licensing, taxation, land access, labour, commercial dispute resolution and technology transfer. In partnership with UNIDO, the Government has launched a major administrative reform to implement a computerized national business registry to increase transparency in the business environment and decrease the cost of doing business by simplifying, standardizing and unifying business registration procedures and unifying business, tax and statistics registration. UNIDO has also assisted the Government in conducting a comprehensive review of all regulations involving business licensing issued by 19 ministries, agencies and departments. These regulations are now posted on Government websites.

52. UNIDO combines technical assistance and advice with direct interventions to build institutional support infrastructures, for example, for food and non-food agro-based industries, particularly in the rural areas. The aim is to improve the competitiveness, flexibility and productivity of SMEs by easing production flows; improving product quality; increasing value-addition; reducing post-harvest losses, minimizing waste and increasing by-product utilization; and improving the packaging of local products. Support is also delivered through the establishment of technical centres of excellence in agro-processing. UNIDO currently plans to introduce worldwide benchmarking systems for both the leather-based and the textile and garment industries in developing countries.

Trade capacity-building

53. There is increased recognition that gainful participation by the developing countries in the international trading system depends as much on improved market access as on effective supply response capacity, compliance with international product and process standards and connectivity to markets. Developing countries face not just tariff barriers, but increasingly technical barriers to trade and sanitary and phyto-sanitary regulations. Technical barriers to trade are standards and technical requirements drawn up by individual countries to protect health, safety and the environment while sanitary and phyto-sanitary regulations requirements focus mainly on food safety regulations. While necessary from the point of view of the

importing countries, these regulations can become potent barriers to the exports of developing countries.

54. The trade capacity-building initiative of UNIDO assists developing countries in meeting these challenges and enables them to secure an increased share of international trade in manufactures. It does so by providing support services in two of three key areas:

(a) Developing competitive manufacturing capability through upgrading of product and production quality, productivity enhancement, safety and cost-effectiveness improvement,

(b) Developing and promoting conformity with market requirements by establishing the necessary physical and institutional infrastructure to prove that products conform to the technical requirements laid out within the multilateral trading system with particular attention to the development of standards and conformity assessment infrastructures;

For the third area UNIDO cooperates with other organizations (the United Nations Conference on Trade and Development, the International Trade Centre UNCTAD/WTO) that are specialized in, and focusing on:

(c) Enhancing connectivity to markets through more effective participation in international trade negotiations and streamlining of customs procedures and mechanisms to ensure more efficient trade flows (trade facilitation).

55. A notable example of the assistance UNIDO is providing under its trade capacity-building initiative is the European Union (EU)-funded quality programme of the West African Economic and Monetary Union (UEMOA). UNIDO assisted national institutions and enterprises in the fisheries sector in Benin, Côte d'Ivoire and Togo. The fisheries sector in these countries employs thousands of workers and exports more than 100,000 tons of products to the EU annually. UNIDO support improved the quality and safety of exported products in conformity with the sanitary requirements of the market. At the request of UEMOA and the EU, UNIDO is preparing a second phase to consolidate the results achieved in UEMOA countries and extend programme activities to other countries of the Economic Community of West African States and Mauritania. Jointly with UEMOA, UNIDO is also continuing to develop a subregional programme for industrial restructuring and upgrading. This programme will contribute to preparing the UEMOA countries for the introduction of liberalized trade arrangements with the EU starting in 2008. Similar regional programmes are under way in the Mekong River countries and the countries of the South Asian Association for Regional Cooperation.

Upgrading the quality of Ethiopian leather

UNIDO support for enhancing product and production quality for manufactured export is illustrated by a leather project in Ethiopia.

Working closely with the Ethiopian Government, UNIDO developed a master plan for the leather and leather products industry of Ethiopia. The plan identified the approach and defined the targets in terms of export earnings, employment generated and investments required. Under the chairmanship of Prime Minister H.E. Meles Zenawi, the National Export Coordination Committee adopted the master plan as

Ethiopia's strategic framework to develop the leather and leather products industry. Results achieved to date include:

- Subcontracting arrangements with a major Italian footwear manufacturer and a footwear manufacturer in Addis Ababa. At the end of 2005, 100,000 pairs of "made in Ethiopia" shoes were being sold on the Italian market. The Italian subcontractor has already announced that the volume for export to Italy is expected to increase in 2006
- A renowned British tanning group has relocated its production of high-quality sheep and goatskin finished leather for glove production to Ethiopia for likely export to Asian countries, including Japan. The group has also indicated its intention to open a leather garments factory for the up-market segment
- Based on present export projections, the Ethiopian Leather Industry Association announced that $103 million is expected to be secured from the export of leather products during this fiscal year, as opposed to some $66 million secured during the previous one

56. UNIDO is assisting in the development of internationally recognized certification services in a number of countries. These services, available to exporting and local enterprises, include management services in the areas of quality (ISO 9001), environment (ISO 14000), social accountability (SA 8000), and food safety (ISO 22000 and Hazard Analysis and Critical Control Point (HACCP)). Finally, UNIDO provides a formal package of services in competitiveness analysis to interested countries.

57. Assistance is also being provided by UNIDO to strengthen the capacity of support institutions (food inspection and quality control bodies, research and development and training, food laboratories, sector and business associations and NGOs) through training and the provision of demonstration and training equipment and tools/materials, and the preparation of working guides and manuals. In 2005, 25 food inspection services, 21 food laboratories and other support institutions benefited from UNIDO assistance. At least 750 inspectors and/or food safety auditors were trained, and most of them have shown a high level of competence by being able to perform scientific and risk-based control and meet most of the industry needs in implementing food safety and quality management systems.

Helping camelid breeders in Peru

In May 2002, UNIDO initiated a project to help camelid (llamas and vicunas) breeders, artisans and small enterprises enhance their productivity and competitiveness on local and international markets. The ultra-fine woolly hair of these animals is a highly valued textile/fashion raw material fetching a very high price. UNIDO established two technology innovation centres for camelid-fibre textiles at Puno and Huancavelica providing individuals and enterprises access to new technologies, tools and processes, as well as information on best

practices on production, processing, storing and commercialization of camelid fibres. It also established two mobile testing and quality control laboratories that provide on-site quality control.

The camelid breeders have since formed groups and share their newfound knowledge with other breeders as well as micro and small enterprises. Links are also being established with partners in both industrialized and developing countries. The next important step will be to establish a sustainable procedure for launching locally made products on to international markets.

Since introducing the scheme:

Concrete results

- 3,300 herds have undergone improvement
- The proportion of alpacas in total breeding programme stands at 10 per cent, with indirect effect on 60 per cent of all alpacas in Peru
- The technology transfer has been of direct benefit to 8,000 farming households
- The stockpiling and fibre sorting facility has increased revenues of 250 livestock breeding households by 40 per cent
- 100 producer associations in Puno and Huancavelica now dispose of exporting capabilities

An exhibition under the banner "Huancavelica to the World" has yielded initial export orders.

58. A key concern expressed is the plight of millions of cotton farmers in Africa, and the challenge they face owing to trade-distorting subsidies given to cotton producers in some developed countries. In cooperation with the World Trade Organization and other organizations, UNIDO is assisting cotton farmers in Africa, developing cotton standards for the region, enhancing their product quality, and supporting value added processing and exports of cotton and cotton products. The programme will extend into 2011 and will be accompanied by similar programmes covering other countries and products.

59. Technology foresight is regarded as the most upstream element of the technology development process, providing inputs for the formulation of technology policies and strategies that guide the development of the technological infrastructure. In addition, technology foresight provides support to innovation, and incentives and assistance to enterprises in the domain of technology management and technology transfer, leading to enhanced competitiveness and growth. UNIDO is implementing a global initiative on technology foresight that provides suitable methodologies to promote sustainable and innovative development, and fosters economic, environmental and social benefits at national and regional levels.

60. To promote increased access of enterprises to international investment and technology flows, UNIDO contributes to enhancing the attractiveness of the country

concerned to FDI through, inter alia, policy advice to improve the investment regime, the strengthening of national institutional capacities for investment promotion and the establishment of business alliances linking enterprises in developing countries with foreign enterprises. Under this programme, UNIDO draws on its dedicated worldwide network of subcontracting and partnership exchanges, which serve as technical information and matchmaking centres for industrial subcontracting and partnerships between buyers and suppliers, and on its network of investment and technology promotion offices to establish bilateral links with capital-exporting countries through promotional programmes such as seminars, group visits and delegates programmes. With regard to technology, UNIDO helps to strengthen national technology management systems to develop, acquire, adapt, improve and diffuse technologies for national entrepreneurs. It does so principally through the creation, strengthening and establishment of networking arrangements among national, regional and international technology-related institutions linked to private industry, research and development and other technical institutions in the public and private sector, as well as universities and research organizations.

61. Major recent initiatives undertaken by UNIDO in this context include the third Africa FDI survey of more than 1,200 companies in 15 sub-Saharan African countries. The survey presents a deepened understanding of the nature of different investor types and their impact on the host economies; the effects of large transnational corporations versus small transnational corporations and stand-alone foreign entrepreneurs that make up most of the foreign investment in the region; and the differences between North and South based investors. In addition, 380 investment opportunities in Africa, identified and formulated through UNIDO programmes, were presented to Chinese investors at the ninth China International Fair for Investment and Trade in September 2005 in Xiamen, China. This promotion of South-South cooperation has also become a major feature of UNIDO activities in the field of technology transfer and diffusion, which is increasingly focusing on the transfer of technology from India and China to other developing countries, especially to Africa and the least developed countries.

Energy and environment

62. Energy has been a central theme in the work of UNIDO for over 30 years, with its programmes addressing both the supply side (provision of energy for industry, use of renewable energy resources) and the demand side (improving industrial energy efficiency). The aim of UNIDO is to contribute to addressing two fundamental challenges:

- De-linking intensity of energy use from economic growth;
- Reducing the environmental impact of energy use.

63. The environment activities of UNIDO aim at preventing industrial pollution and industrial waste from being created and managing residuals that may be created in an environmentally sound manner. It does so through its three core programmes:

- Cleaner and sustainable production;
- Water management;
- Implementation of multilateral agreements (the Montreal Protocol and the Stockholm Convention on Persistent Organic Pollutants).

In both the energy and environment components of its programmes, UNIDO works closely with Governments and various international bodies, including the Global Environment Facility, the United Nations Environment Programme (UNEP) and the Montreal Protocol Multilateral Fund.

64. In the area of energy, UNIDO is promoting energy efficiency measures and the expanded use of renewable energy sources (biomass, wind, solar, small-hydro and geothermal). Its support services focus on the productive use of renewable energy sources and clean energy, especially in the rural areas. Two notable examples of projects implemented by UNIDO in this field are shown below.

Enhancing industrial energy efficiency in China

Industrial motor-driven systems offer one of the largest opportunities for industrial energy savings with improvement potentials of 20-50 per cent (against an annual consumption of more than 2 trillion kilowatt hours (kWh)). UNIDO has developed capacity in Shanghai and Jiangsu to tap into this huge energy efficiency potential. Some 40 industrial plant assessments have been conducted using the new capacity. In one extremely large petrochemicals facility alone, the assessments of its motor systems identified 14 million kWh of energy savings that could be obtained with an investment of just under $400,000. The size of the savings was such that this investment paid for itself in half a year. UNIDO now links quality and environmental management systems (ISO 9000/14000) with industrial system optimization: the objective being nothing less than a permanent change in corporate culture towards energy efficiency using the structure, language and accountability of the existing ISO management structure.

Micro-hydro power in India

On 28 October 2004, for the first time ever, the village of Mankulam (a remote town in Kerala State with a population of 15,000) had access to electricity. This was produced by a micro-hydro power project implemented by UNIDO. In addition, UNIDO established a community development centre to ensure that the new power source generates employment and raises incomes, while also offering entertainment and leisure activities. The centre includes a computer centre, a community television, a flourmill and a community wet grinding station. Moreover, through a satellite connection, the village is linked to the Internet, thus enabling the villagers to join the global community. Village Panchayat (community) owns, operates and maintains the system.

65. In the environment field, the UNIDO cleaner production programme aims at building national cleaner production capacities, fostering dialogue between industry and government and enhancing investments for the transfer and development of environmentally sound technologies. Through this programme, UNIDO is helping bridge the gap between competitive industrial production and environmental concerns. Cleaner production is more than just a technical solution. It has a

widespread application at all decision-making levels in industry, with the chief focus being the adoption of cleaner technologies and techniques within the industrial sector. Costly end-of-pipe pollution control systems are gradually replaced through a strategy that reduces and avoids pollution and waste throughout the entire production cycle, from efficient use of raw materials, energy and water to the final product. Since 1994, 31 national cleaner production centres and programmes have been established by UNIDO jointly with UNEP.

Transfer of environmentally sound technology in the Danube River Basin

Together with its Croatian, Hungarian and Slovak national cleaner production centres and similar support institutions in Bulgaria and Romania, UNIDO worked with enterprises from various industrial sectors, such as chemicals, food, machinery, textile, pulp and paper, to introduce the transfer of environmentally sound technology (TEST) programme in 17 "hot spots" of water pollution in the Danube River Basin. TEST allows the enterprises to choose from a menu of tools and methodologies (including cleaner production, environmental management systems, environmental management accounting, assessment of environmentally sound technology, investment promotion and sustainable enterprise strategy) to solve its particular problems. By the end of the project, more than 230 TEST measures were implemented and resulted in $1.3 million of total savings. Environmental management systems were introduced in 11 enterprises, four of which were certified, and environmental management accounting systems were implemented in five enterprises. Environmentally sound technology assessments were completed in selected enterprises and pre-feasibility studies prepared for investment promotion, while environmental and social dimensions were integrated into their business strategies. All this led to a reduction of wastewater discharges into the Danube River Basin of 4.6 million cubic metres per year, which is expected to rise to 7.9 million cubic metres per year after the full operationalization of all adopted environmentally sound technologies.

66. Under the GEF *International Waters* Programme, UNIDO focuses on programmes that increase water productivity by means of reducing water withdrawals and increasing water reuse and recycling, and to minimize water and pollution discharges. The primary implementation mechanism is the TEST methodology developed by UNIDO.

67. Under the same programme, UNIDO is expanding the work it has been doing to assist countries bordering large marine ecosystems to work cooperatively to enhance the sustainable management of their large marine ecosystem resources. The methodologies employed include the integrated management of coastal areas, the management of industrial fisheries and restoration of stocks, and the management of contaminants from industrial and human activities entering the large marine ecosystems.

68. A large part of UNIDO's project portfolio supports countries in meeting their obligations under the Montreal Protocol on Substances that Deplete the Ozone Layer. Its services comprise policy advice, strategy and programme design; institutional support; and enterprise level technical assistance. UNIDO is currently studying the impact of its technology transfer activities on productivity, employment and export earnings.

69. Regarding the elimination of persistent organic pollutants under the Stockholm Convention, following the formulation of national implementation plans, UNIDO is now proceeding with the introduction of advanced environmentally sound technologies for the destruction of persistent organic pollutants and for the introduction of Best Available Technologies and Best Environmental Practices to prevent the widespread unintentional generation of persistent organic pollutants. In addition, UNIDO plans to build up projects related to the sound destruction of medical wastes and the remediation of sites contaminated with persistent organic pollutants.

70. In addition, UNIDO is undertaking programmes to assist developing countries and countries with economies in transition to take the fullest possible advantage of the opportunities available to their industries to upgrade their production technologies through the clean development mechanism of the Kyoto Protocol.

Advancing South-South cooperation

71. A number of developing countries have valuable knowledge and technical capacities that are particularly relevant for developing countries, and are willing to share these to enable other developing countries to strengthen their technical and business capacities, and thereby increase their effective participation in the global economy. UNIDO is renewing its efforts to mobilize these resources and opportunities and broker the effective cooperation between developing countries.

72. UNIDO's programmatic activities in this area focus on low-income countries and will be implemented within the framework of General Assembly resolution 58/220; the Barbados Programme of Action on the Sustainable Development of Small Island Developing States; the Almaty Programme of Action for landlocked developing countries; and the Brussels Programme of Action for the least developed countries. The South-South cooperation programmes are pursued both within existing integrated programmes at the country level and through regional and interregional programmes.

73. A new initiative involves the establishment of South-South technical cooperation centres at the country level in several emerging economies, with a view to fostering South-South cooperation in the sphere of industrial development. Negotiations are under way for the establishment of such centres in Brazil, China, Egypt, India and South Africa. These centres will help to identify and mobilize resources required for projects and programmes within the framework of South-South cooperation, and thereby contribute to the industrial development and economic growth of developing countries. The centres will furthermore play a catalytic role in mapping the potentials in more developed countries in the South to support other developing countries in a mutually beneficial partnership framework.

74. Programmatic activities within the South-South framework will entail:

(a) Increasing productive capacities to enhance trade, technology and investment flows among developing countries;

(b) Developing joint action in support of common positions to address critical elements of global trade norms;

(c) Formulating a joint response to poverty reduction;

(d) Promoting an exchange of experience and institutional networking.

UNIDO support for NEPAD

75. UNIDO continued to work closely with the New Partnership for Africa's Development (NEPAD) in the context of its technical cooperation programme for African countries and in the framework of the African Productive Capacity Initiative (APCI). Adopted by the African Union in 2004 as the sustainable industrial development component of NEPAD, the primary aim of APCI is to increase the manufacturing value-added of selected industrial sectors in the five subregions of Africa.

76. UNIDO has established strong partnerships with other United Nations agencies and is building cooperation with financial institutions such as the Islamic Development Bank and the African Development Bank to facilitate the implementation of the initiative. UNIDO and WTO have jointly launched the Cotton Initiative for Benin, Burkina Faso, Cameroon, the Central African Republic, Chad, Côte d'Ivoire, Mali, Nigeria, Senegal and Togo to improve the quality and export competitiveness of cotton from these countries.

77. UNIDO continued to carry out its support programmes for African countries under its three main thematic priorities. In the field of poverty reduction through productive activities, its programmes in Ghana, Guinea, Sierra Leone and the Sudan are focusing on alleviating immediate livelihood constraints and resource pressures to local communities, by training internally and internationally displaced people in productive skills to enable them to effectively participate in the economic recovery and reconstruction process.

78. With a view to improving the competitiveness of SMEs in Africa, UNIDO is focusing on efficient business licensing practices, private sector-led business advisory services, including capacity-building for business associations, business applications of information and communication technology and entrepreneurship and technical training for the youth and women in UNIDO-integrated programmes of technical assistance in Burkina Faso, Burundi, Cameroon, Djibouti, Eritrea, Ethiopia, Ghana, Kenya, Namibia, Nigeria, Madagascar, Malawi, Mozambique, Rwanda, Senegal, Sierra Leone, Uganda and the United Republic of Tanzania.

79. In the field of trade capacity-building, UNIDO has provided support for the development of reliable food safety and quality systems in various sectors to enable African countries to export their products to the European Union (EU) and other export markets. Its assistance has concentrated on technology upgrading and food safety assurance required to meet the World Trade Organization, the sanitary and phyto-sanitary and the technical barriers to trade agreements. Process optimization (for value added and product diversification), good hygiene practices, HACCP, ISO 22000, and clean technology development are the main tools to build the capacities for improved market access and trade facilitation. Countries assisted by

UNIDO in these fields include Algeria, Angola, Burkina Faso, Burundi, Cameroon, Eritrea, Ethiopia, Ghana, Guinea, Kenya, Mali, Morocco, Mozambique, Niger, Nigeria, Rwanda, Senegal, Sierra Leone, the Sudan, Tunisia, Uganda and the United Republic of Tanzania.

80. UNIDO also continued to implement environment and energy-related projects in Africa. In Tunisia, a common effluent treatment plant is being relocated from Tunis to an industrial park and assistance is provided to upgrade the leather processing technology. In Madagascar, Morocco and the East Africa region, projects have been developed to combat desertification, mitigate the impacts of land degradation, and protect the integrity and functions of the natural ecosystem while improving the livelihoods of the rural poor. In Burkina Faso, Mali, Morocco and Uganda, assistance is being given to food processing enterprises in waste minimization and utilization as well as effluents treatment. Furthermore, assistance is being provided in a number of countries to utilize solar power more effectively for the drying of agro-products using a hybrid dryer developed by UNIDO and the University of Natural Resources and Applied Life Sciences at Vienna.

81. On water management, UNIDO continues to formulate and implement GEF-funded projects with a focus on capacity-building for the industrial sector to improve water productivity, reuse and recycling, the introduction at all levels of government policies and training in the adoption of the ecosystem approach and the sustainable use of its living resources. The projects include large regional projects dealing with fisheries management, coastal and marine pollution reduction and habitat restoration in 16 West African and Central African countries.

82. Noting the crucial importance of industrial development to the diversification and expansion of African economies, the African Union has decided to devote its summit meeting in 2007 to the theme of African industrialization.

Building partnerships for development

83. UNIDO recognizes the importance of building partnerships and collaborating with other international bodies in carrying out its mandate and contributing to United Nations system-wide coherence. UNIDO is developing partnerships and alliances in its three thematic areas of focus with complementary organizations, both within the United Nations and with other international organizations. These partnerships and alliances include joint programme development and implementation, primarily at the field level, and aim at delivering an integrated and more complete set of support services.

84. In the context of enterprise development, such partnerships have been established, inter alia, with UNDP, the World Trade Organization, the United Nations Office on Drugs and Crime (UNODC), and the International Labour Organization (ILO). The agreement with UNDP, signed in 2004, provides for the two organizations to formulate joint programmes on private sector development, to implement the recommendations of the 2004 report *Unleashing Entrepreneurship*,[9] commissioned by the Secretary-General. Under the agreement with the World Trade Organization, which was signed in Cancun in 2003, a joint programme for trade capacity-building has been defined for nine countries (Armenia, Bolivia, Cambodia, Cuba, Egypt, Ghana, Jordan, Kenya and Mauritania), and project documents are

[9] United Nations publication, Sales No. E.04.III.B.4.

now being submitted to the donor community. The agreement with UNODC, signed in 2005, envisages joint programming in up to five countries, focusing on the sustainable livelihood programme of UNODC and the private sector development activities of UNIDO. With the ILO, UNIDO has been holding joint international training courses since 2004 related to its cluster and networking development and SME export consortia programmes at the ILO International Training Centre in Turin, Italy. UNIDO and the ILO are also collaborating on launching a joint programme for youth employment in West Africa.

85. UNIDO has also been a core member of the Donor Committee for Enterprise Development since its inception in 1979, and has made active contributions to its deliberations on conceptual and practical issues. It is currently co-chairing, with the Food and Agriculture Organization of the United Nations (FAO), a working group on linkages and value chains. Since 2003 UNIDO has also been a core agency of the Global Compact. Its association with the Compact is a result of the recognition awarded by the United Nations system to its prior operational efforts in developing partnerships through its business partnership programme, investment and technology promotion offices and subcontracting and partnership exchange networks, and SME cluster development programme.

86. UNIDO is enhancing its efforts to ensure that its activities support national policies and priorities and are in line with common assessment and programming instruments, including the poverty reduction strategy papers and the common country assessment/United Nations Development Assistance Framework.

87. UNIDO has also been at the forefront of United Nations reform efforts to strengthen country-level coherence of United Nations system activities. It has contributed extensively to the work of the Secretary-General's High-Level Panel on System-wide Coherence, hosting the consultations on country-level coherence in Vienna in May 2006. UNIDO is also making a contribution to increased inter-agency coordination through its issue-leadership of trade capacity-building in the context of the task force on economic development established by the High-level Committee on Programmes of the Chief Executives Board for Coordination.

IV. Conclusions: the way forward

88. With the rapid economic development of some newly industrializing countries and especially China, the global industrial landscape has taken on a new dimension, continuing the division between North and South and showing a growing gap within the South, with least developed countries facing an ever-increasing challenge to find their way towards integrating into the world economy.

89. The implications on both extreme poverty and environmental degradation are severe, posing great challenges in finding a path towards sustained economic growth and sustainable development, both being prerequisites for the achievement of the Millennium Development Goals.

90. Security crises and mass migration have, in many cases, their root causes in poverty, especially among young people. Transborder conflicts and regional instabilities are increasing, while natural disasters are also on the rise. More than ever, investments are needed for the creation of employment and the

generation of incomes, as well as for energy efficiency and environmental protection.

91. Rapid but sustainable industrial development is crucial for disadvantaged regions, the creation of youth employment, the diffusion of cleaner production and renewable energy technologies, as well as the integration of developing countries into global value chains.

92. The new industrial realities, market failures and inadequate capabilities pose an urgent need for accelerated South-South cooperation, as a supplement to North-South cooperation, for poverty reduction. Increased productive capacities in the South are needed to enhance trade, technology and investment flows among developing countries. Joint positions and responses should be formulated involving both public and private sectors in respect of critical elements of global trade norms, the reduction of extreme poverty and sustainability issues.

93. In this context and given the crucial contribution of sustainable industrial development for achieving the Millennium Development Goals, UNIDO will continue to play a vital role in the fields of private sector development, productivity growth, trade capacity-building, corporate social responsibility, environmental protection, energy efficiency and the promotion of renewable energies.

94. In Africa, UNIDO will continue to focus on the objectives of NEPAD, under its African Productive Capacity Initiative and on regional integration and cooperation. An ever-stronger presence of UNIDO in the field and increasing partnerships with private sector organizations and institutions will strengthen the effectiveness of its interventions, especially in sub-Saharan Africa and the least developed countries.

95. Through its active collaboration with various multilateral institutions, especially in the fields of trade capacity-building and youth employment, UNIDO will further strengthen its efforts in system-wide coherence and collaboration, and continue to seek synergies through inter-agency approaches. UNIDO will continue to take a proactive part in the United Nations coordinating mechanisms, including the HLCP/CEB and contribute to achieving the Millennium Development Goals as a trusted partner for pro-poor and sustained economic growth.